

Submission by:

Entity: Consumer New Zealand

Organisation Type: Not-for-profit

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Guidance Note Paragraph or table	Consultation on Paper Question	Submission	Recommendation	Statutory References (if applicable)
28	1	We agree that the guidance note should apply to these two documents.	We recommend that the investment statement is included within the prospectus as well.	
36	2	We support the use of standard "clear, concise and effective disclosure" for these documents so that they can be read <i>and</i> understood by ordinary investors.		
20-22	3	We support the use of "plain language" in these documents. Prescribing plain language techniques may be more likely to ensure this standard is followed than providing examples.	www.plainenglish.org.nz/links.php offers a range of resources to assist in plain language writing.	Plain language requirements are being introduced for other documents. For example, the Consumer Law Reform Bill contains provisions requiring certain consumer contracts to be written in "plain language."

23-24	5	We agree with the guidance on brand information and photographs as too much of this secondary information can obscure the <i>relevant</i> information in the statement.		
25-28	6	We agree with the proposed requirement for effectiveness. We understand the need to go beyond "ticking the box", especially as this guidance note will cover documents from a wide variety of financial organisations offering investments of varying complexity.		
31-51		We agree with the proposed items of key information. We also feel it is essential to be able to compare this key information between financial entities.	We propose a one to two page summary of key information that you can take away to compare investments from different companies.	
39-42	14,15,16	It is absolutely essential to disclose risk in these two documents to provide investors with the best possible understanding before they make a decision. We agree that the risk-assessment process should be clearly explained.	We would like consumers to be able to assess easily the risk presented by a company in terms of the general risk level for that type of investment. This could be done by providing a graph that indicates how the promised	

			returns compare with returns across the rest of the industry. This could be done for other sector-wide indicators that are relevant to the investment.	
43-47	17	We agree that disclosure of related party transactions is extremely important as this has been a key factor in many of the recent finance company collapses. It is a key fact that consumers need to know about before they decide to invest.		
	18	We agree that IAS 24 is generally appropriate.		
	Table VII, Q 19	We consider the examples provided in the table to be relevant and sufficient.		
48-51	21	We agree that credit ratings should be disclosed if they exist, are relevant and issued by a recognised agency. If they are not available then it should be explained why.		
	23	We agree with the definition of financial information.		

	25	We agree that issuers should be able to disclose more than the minimum financial information provided it remains relevant and concise.		
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Additional notes:

- **Future consideration of advertisements**

Advertisements for financial products must not be misleading. We consider that celebrity endorsement of investment products be disallowed and that only people with professional financial credentials should be permitted to appear in an advertisement. Advertising content should be focused mainly on factual information about the investment.

We also support initiatives by the FMA and other agencies to increase levels of financial literacy among potential investors – a well-informed investor is likely to make better financial decisions.

Thank you for the opportunity to make a submission on this paper. If you require any further information, please do not hesitate to contact Amanda Lyons or me.

David Naulls

Deputy Chief Executive

Consumer NZ